

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 CEA-02 CIAE-00 DODE-00 FRB-02

H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-07 PA-04

RSC-01 AID-20 CIEP-02 SS-20 STR-08 TAR-02 TRSE-00

USIA-15 PRS-01 SP-03 OMB-01 SWF-02 DRC-01 /144 W

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R 240906Z MAY 74

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 1870

USDOC WASHDC

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E.O. 11652: N/A

TAGS: ETRD, TW

SUBJECT: BOARD OF FOREIGN TRADE (BOFT) TO MONITOR IMPORTS OF
"LUXURY" CONSUMER ITEMS

REF: TAIPEI 2098, 2358

1. SUMMARY: BECAUSE OF DECLINE IN FOREIGN EXCHANGE HOLDINGS AND DEFICIT TRADE BALANCE BOFT WILL CLOSELY MONITOR IMPORTS OF SO-CALLED LUXURY CONSUMER ITEMS, E.G., AUTOMOBILES AND COLOR TV'S. IF SITUATION CONTINUES TO DETERIORATE OR DOES NOT IMPROVE, BOFT MAY REIMPOSE QUANTITATIVE LIMITATIONS. THEY WILL NOT APPLY, HOWEVER, TO ORDERS COVERED BY L/C'S OR EN ROUTE. GROC WILL MAKE EVERY EFFORT TO ENSURE THAT IMPORTS FROM US RECEIVE FAVORABLE CONSIDERATION. END SUMMARY.

2. GROC HISTORICALLY HAS CONTROLLED IMPORTS OF SO-CALLED LUXURY ITEMS, E.G., AUTOMOBILES, COLOR TV'S AND ELECTRICAL APPLIANCES, BY IMPOSING HIGH DUTIES (IN SOME CASES 100 PERCENT OR MORE) AND QUANTITATIVE LIMITATIONS. LATTER WERE REGULATED BY BOARD OF FOREIGN TRADE (BOFT), WHICH HAD AUTHORITY TO ISSUE OR DENY IMPORT LICENSES. IN 1973 QUANTI-

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TATIVE RESTRICTIONS WERE REMOVED AND IMPORT LICENSE AUTHORITY

WAS TAKEN FROM BOFT AND GIVEN TO CENTRAL TRUST OF CHINA AND SELECTED LOCAL COMMERCIAL BANKS. REMOVAL OF RESTRICTIONS RESULTED IN GREAT INCREASE IN IMPORTS OF LUXURY ITEMS IN LAST QUARTER OF 1973 AND FIRST QUARTER OF 1974.

3. DURING PAST SEVERAL WEEKS PRESS HAS BEEN FULL OF REPORTS THAT GROC, BECAUSE OF DECLINE IN FOREIGN EXCHANGE HOLDINGS AND GROWING TRADE DEFICIT, WOULD REINSTITUTE CONTROLS ON IMPORTS OF LUXURY ITEMS. EMBOFFS CALLED ON DIRECTOR GENERAL OF BOFT, Y. T. WONG, ON MAY 22 TO ASCERTAIN TRUTH OF PRESS REPORTS. WONG DENIED THAT CONTROLS AGAIN BEING IMPOSED. WHAT HAS HAPPENED IS THAT GROC, WHICH IS ALARMED AT EXCHANGE AND TRADE POSITIONS, HAS AGAIN GIVEN AUTHORITY TO ISSUE IMPORT LICENSES FOR AUTOMOBILES AND COLOR TV'S TO BOFT. BOFT WILL MONITOR IMPORTS CAREFULLY AND IF EXCHANGE AND TRADE POSITIONS CONTINUE TO DETERIORATE OR DO NOT IMPROVE, BOFT MAY FIND IT NECESSARY TO LIMIT IMPORTS THOSE TWO ITEMS. IF LIMITATION ARE IMPOSED THEY WILL NOT APPLY TO ORDERS ON WHICH L/C'S ALREADY ISSUED OR WHICH ALREADY HAVE BEEN SHIPPED. WONG MADE IT CLEAR THAT ONLY AUTOMOBILES AND COLOR TV'S ARE INVOLVED. CENTRAL TRUST AND COMMERCIAL BANKS STILL WILL ISSUE IMPORT LICENSES ON ELECTRICAL APPLIANCES AND OTHER LUXURY IMPORTS.

4. MINISTER OF ECONOMIC AFFAIRS Y.S. SUN CONFIRMED WONG'S REMARKS IN CONVERSATION WITH AMBASSADOR ALSO ON MAY 20. SUN STATED THAT HE IS HOPEFUL ECONOMIC SITUATION WILL IMPROVE TO EXTENT IMPORT CONTROLS WILL BE UNNECESSARY. HE ALSO COMMENTED THAT EVEN IF THEY ARE IMPOSED EVERY EFFORT WILL BE MADE TO ENSURE THAT APPLICATIONS FOR IMPORT LICENSES FOR ITEMS MANUFACTURED IN US RECEIVED PREFERENTIAL TREATMENT.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CUSTOMS DUTIES, POLICIES, TRADE BALANCE, EXCISE TAXES, ELECTRIC APPLIANCES, CENTRAL GOVERNMENT, FOREIGN EXCHANGE HOLDINGS, IMPORT LICENSES, TRADE C ONTROLS, AUTOMOBILES, TELEVISION EQUIPMENT, IMPORT CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GarlanWA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TAIPEI03273
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740134-0080, D740131-0421
From: TAIPEI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740518/aaaaapgt.tel
Line Count: 94
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: TAIPEI 2098, 2358
Review Action: RELEASED, APPROVED
Review Authority: GarlanWA
Review Comment: n/a
Review Content Flags:
Review Date: 12 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12-Aug-2002 by rowelle0>; APPROVED <04 MAR 2003 by GarlanWA>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BOARD OF FOREIGN TRADE (BOFT) TO MONITOR IMPORTS OF "LUXURY"CONSUMER ITEMS
TAGS: ETRD, TW, BOFT, BOARD OF FOREIGN TRADE
To: STATE COM
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005